



COMMONWEALTH OF VIRGINIA

Department of the Treasury

JODY M. WAGNER
TREASURER OF VIRGINIA

P. O. BOX 1879
RICHMOND, VA. 23218
(804) 225-2142

February 25, 2005

MEMORANDUM

TO: Senior Managing Underwriter Candidates

FROM: Jody M. Wagner

A handwritten signature in cursive script that reads "Jody M. Wagner".

SUBJECT: Department of the Treasury's Request for Proposals for Senior Managing Underwriter

Attached is a Request for Proposals (RFP), DM 05-009, for Senior Managing Underwriters. It is the intent of this RFP to solicit proposals and select from the proposals a Senior Managing Underwriter in connection with the proposed securitization of a portion of the Commonwealth of Virginia's share of payments under the Master Settlement Agreement among the Commonwealth and leading United States tobacco product manufacturers dated November 23, 1998. If your firm would like to be considered, please provide the Department of the Treasury with the information requested in the attached RFP. Your hard copy or electronic copy response is due no later than 12:00 noon on March 8, 2005.

Should you have any questions, please contact Robert S. Young, Director of Financial Policy, at (804) 225-2391 or email to Robert.Young@trs.virginia.gov. We look forward to receiving a response from your firm.

Attachment

Virginia Department of the Treasury
Request for Proposals DM-005 for Senior Managing Underwriters
for the
Securitization of Tobacco Settlement Revenues

PURPOSE AND REQUIREMENTS:

The purpose of this Request for Proposals (“RFP”) is to solicit proposals from qualified investment banking firms to serve as Senior Managing Underwriters in connection with the proposed securitization of a portion of the Commonwealth of Virginia’s (“Commonwealth”) share of payments under the Master Settlement Agreement among the Commonwealth and leading United States tobacco product manufacturers dated November 23, 1998 (“MSA”). **The Commonwealth is NOT soliciting firms to act as in any role other than senior manager.** The sale is authorized under Chapter 488 of the 2002 Acts of the Virginia General Assembly. One firm will be selected as senior book running manager.

The period engagement will run through the earlier of completion of the initial financing described herein, or January 15, 2006, unless extended. At the option of the Treasury, the engagement may include any subsequent MSA securitization. Treasury reserves the right to alternate or adjust the Senior Manager role(s) or any management group, as it deems appropriate.

The Senior Manager(s) and members of the management group, their attorneys and/or consultants, if any, will only be compensated through the underwriters’ spread as determined by the issuing entity for the obligations when, and if, issued.

SELECTION CRITERIA:

Proposals should provide information requested in the following selection criteria areas. **Responses shall be limited to a maximum of 5 pages, not including your firm’s cover letter and any Appendices provided in response to questions 4, 6 & 7. Proposals violating the 5 page maximum will be disqualified.** The selection and the award of the contract shall be made of the Offeror deemed to be fully qualified and best suited among those submitting proposals on the basis of the following evaluation factors and questions:

◆ Soundness of Approach (40 %)

1. Provide the optimal securitization structure in light of current rating agency criteria and market demand for tobacco securitization bonds. Comment on optimal size, amortization, net proceeds, term bond structure, use of turbo term bonds, reserve funds, etc.

2. Identify any rating agency and marketing issues that the Commonwealth will face . Detail how your firm would address each issue.

3. In 2003, Virginia priced a series of tobacco bonds that we were unable to close due to downgraded ratings on the entire sector of tobacco settlement securitizations resulting from an adverse court decision. How would your firm propose to protect the Commonwealth from a similar occurrence in this transaction?
4. Comment on the factors affecting the current market for tobacco securitization bonds.
5. Provide a time schedule with realistic milestones to complete the proposed tobacco securitization.

◆ Pricing (25%)

6. Provide an estimate of the cost, which will include: all proposed components of the underwriters' spread and estimated preliminary interest rates and yields for the proposed financing. In preparing your proposal, you are requested to identify proposed underwriter counsel and their estimated cost.

◆ Offeror's Qualifications (30%)

7. Describe the firm's experience as senior book-running manager for the issuance of unenhanced tobacco securitization bonds since November 1999. Please identify each issue separately, including the principal amount, and the date of issuance, ratings achieved and any defining attributes of the issue. Briefly describe the salient reasons why your firm should be selected as senior manager for this transaction. **Firms that do not have senior book-running experience will not be considered for a senior role.**

◆ Participation of Small, Women-Owned, and Minority-Owned Businesses (5%)

8. Describe current and planned utilization of businesses in the three classes identified.

DELIVERY OF INFORMATION:

In order to be considered for selection, a complete response to this RFP must be submitted. **Please submit your electronic proposal or 5 copies of your hard copy proposal no later than 12:00 noon on March 8, 2005. A cover letter should be submitted with your proposal stating that your firm agrees to serve as senior managing underwriter to the Commonwealth in accordance**

with the attached proposal for the purposes outlined in the RFP. The Commonwealth reserves the right to select an underwriting team based solely on the proposals submitted. No joint proposals will be accepted.

Proposals must be delivered or mailed as follows:

Delivery Address:

Dora D. Fazzini
Director of Debt Management
Department of the Treasury
101 North 14th Street, 3rd Floor
Richmond, Virginia 23219
dora.fazzini@trs.virginia.gov

Mailing Address:

Dora D. Fazzini
Director of Debt Management
Department of the Treasury
P.O. Box 1879
Richmond, Virginia 23218-1879

QUESTIONS AND INFORMATION REQUESTS:

If you have any questions please contact:

Robert S. Young, Director of Financial Policy, at (804) 225-2391, or FAX (804) 225-3187,
or email at Robert.Young@trs.virginia.gov.